

**REPORT OF THE AUDIT OF THE
MARSHALL COUNTY
SHERIFF**

**For The Year Ended
December 31, 2003**



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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Mike Miller, Marshall County Judge/Executive
Honorable Terry Anderson, Marshall County Sheriff
Members of the Marshall County Fiscal Court

The enclosed report prepared by Berger & Company, CPA, PSC, Certified Public Accountants, presents the statement of revenues, expenditures, and excess fees of the County Sheriff of Marshall County, Kentucky, for the year ended December 31, 2003.

We engaged Berger & Company, CPA, PSC to perform the audit of this statement. We worked closely with the firm during our report review process; Berger & Company, CPA, PSC evaluated the Marshall County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



**REPORT OF THE AUDIT OF THE
MARSHALL COUNTY
SHERIFF**

**For The Year Ended
December 31, 2003**



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MARSHALL COUNTY SHERIFF

**For The Year Ended
December 31, 2003**

Berger & Company, CPA, PSC has completed the Marshall County Sheriff's audit for the year ended December 31, 2003. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting described in Note 1.

Financial Condition:

Excess fees increased by \$55,958 from the prior year, resulting in excess fees of \$100,317 as of December 31, 2003. Revenues increased by \$96,787 from the prior year and expenditures increased by \$40,829.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

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The Honorable Mike Miller, Marshall County Judge/Executive
Honorable Terry Anderson, Marshall County Sheriff
Members of the Marshall County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Sheriff of Marshall County, Kentucky, for the year ended December 31, 2003. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Sheriff for the year ended December 31, 2003, in conformity with the regulatory basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated November 23, 2004, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Honorable Mike Miller, Marshall County Judge/Executive
Honorable Terry Anderson, Marshall County Sheriff
Members of the Marshall County Fiscal Court

This report is intended solely for the information and use of the County Sheriff and Fiscal Court of Marshall County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Berger & Company CPA PSC". The script is cursive and fluid, with the company name and credentials clearly legible.

Berger & Company, CPA, PSC

Audit fieldwork completed -
November 23, 2004

MARSHALL COUNTY
TERRY ANDERSON, COUNTY SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2003

Revenues

Federal Grants

Byrne Formula Grant	\$ 65,175	
COPS Hiring Supplement	6,862	
Methamphetamine Grant	<u>12,370</u>	\$ 84,407

State Grants

Highway Safety	\$ 8,092	
Kentucky Law Enforcement Foundation Program Fund	<u>52,990</u>	61,082

State Fees For Services:

Finance and Administration Cabinet	\$ 143,756	
Cabinet For Human Resources	<u>160</u>	143,916

Circuit Court Clerk:

Fines and Fees Collected	\$ 8,818	
Court Ordered Payments	<u>393</u>	9,211

Fiscal Court

120,693

County Clerk - Delinquent Taxes

2,532

Commission On Taxes Collected

582,049

Fees Collected For Services:

Auto Inspections	\$ 16,355	
Accident and Police Reports	1,823	
Serving Papers	32,021	
Carrying Concealed Deadly Weapon Permits	5,385	
Transporting Prisoners	<u>2,056</u>	57,640

Other:

Sheriff Add-on Fees	\$ 67,408	
Sheriff Advertising Costs	8,400	
Workers Comp Reimbursements	16,819	
Reimbursements - Other	11,031	
Polygraph Tests	200	
School Resource Officer	26,281	
Jury Meals	81	
Miscellaneous	<u>10,346</u>	140,566

The accompanying notes are an integral part of this financial statement.

MARSHALL COUNTY
TERRY ANDERSON, COUNTY SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2003
(Continued)

Revenues (Continued)

Interest Earned	\$ 13,455
Borrowed Money:	
State Advancement	<u>95,382</u>
Total Revenues	<u>\$ 1,310,933</u>

Expenditures

Operating Expenditures and Capital Outlay:

 Personnel Services-

Deputies' Salaries	\$ 719,922
Other Salaries	28,137
KLEFPF Salaries	55,942

 Contracted Services-

Advertising	14,292
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 Materials and Supplies-

Office Materials and Supplies	8,854
Officer Supplies	5,269
Uniforms	17,540
Blood Alcohol Test	197
Radio Expense	5,038
Radar Expense	210

 Auto Expense-

Gasoline	35,461
Maintenance and Repairs	23,462
Mileage	168
Tires	5,888
Miscellaneous	155

The accompanying notes are an integral part of this financial statement.

MARSHALL COUNTY
TERRY ANDERSON, COUNTY SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2003
(Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay: (Continued)

Other Charges-

Transporting Prisoners	\$	12,922	
Carrying Concealed Deadly Weapon Permits		3,570	
Training		12,992	
Telephone Expense		7,202	
Dues		1,675	
Bonds		2,635	
Postage		10,829	
Impounded Vehicles		1,310	
Jury Meals		221	
Canine Expense		353	
Drug Enforcement		2,394	
Fiscal Court Fees		10,430	
Miscellaneous		11,212	
Capital Outlay-			
Office Equipment		16,069	
Vehicles		25,060	\$ 1,039,409

Debt Service:

State Advancement	95,382
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Total Expenditures	\$ 1,134,791
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Net Revenues	\$ 176,142
Less: Statutory Maximum	72,860

Excess Fees	\$ 103,282
Less: Training Incentive Benefit	2,965

Excess Fees Due County for 2004	\$ 100,317
Payment to Fiscal Court - April 20, 2004	100,317

Balance Due Fiscal Court at Completion of Audit	\$ 0
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The accompanying notes are an integral part of this financial statement.

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

Kentucky Revised Statute (KRS) 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Sheriff as determined by the audit. KRS 134.310 requires the County Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2003 services
- Reimbursements for 2003 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2003

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2003
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems.

This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent for the first six months of the year and 7.34 percent for the last six months of the year. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent for the first six months of the year and 18.51 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2003, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the Sheriff's agent in the Sheriff's name.

Note 4. Drug Fund

The Sheriff maintains a drug fund. This fund is used primarily for drug enforcement and prevention. The drug fund balance as of January 1, 2003 was \$3,843. Receipts consisting of drug forfeitures and interest were \$325 for 2003. Disbursements for drug enforcement and prevention were \$4,075 for 2003. The drug fund balance as of December 31, 2003 was \$93.

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2003
(Continued)

Note 5. Drug Awareness Resistance Education Fund

The Marshall County Sheriff's Office maintains a Drug Awareness Resistance Education (D.A.R.E.) fund for the promotion of drug awareness and drug prevention. The D.A.R.E. fund had a balance of \$4,532 as of January 1, 2003. Receipts for 2003 consisting of interest and donations made payable to D.A.R.E. were \$1,893. Disbursements for D.A.R.E. supplies were \$2,348. The balance of the D.A.R.E. fund as of December 31, 2003 was \$4,077.

Note 6. Federal Grants

A. Byrne Formula Grant

The Marshall County Sheriff's office was awarded a Byrne Formula Grant for the Tri-County Drug Task Force in October 2000 in the amount of \$219,875. During the year ended December 31, 2003, grant funds in the amount of \$65,175 were received.

B. Community Oriented Policing Services Universal Hiring Supplement Grant

The Marshall County Sheriff's office was awarded a Community Oriented Policing Services Universal Hiring Supplement grant in March 1998 in the amount of \$75,000. During the year ended December 31, 2003, grant funds in the amount of \$6,862 were received.

C. Methamphetamine Grant

The Pennyrile Narcotics Task Force, of which the Marshall County Sheriff's office is a member, was awarded a Community Oriented Policing Service grant in July 2000. During the year ended December 31, 2003, grant funds in the amount of \$12,370 were received.

Note 7. Kentucky Law Enforcement Foundation Program Fund

The Marshall County Sheriff's Office participates in the Kentucky Law Enforcement Foundation Training Incentive Program. This program, administered by the Kentucky Justice Cabinet, is designed to adequately train the Sheriff and his officers. During the year, grant funds of \$52,990 were received.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



The Honorable Mike Miller, Marshall County Judge/Executive
Honorable Terry Anderson, Marshall County Sheriff
Members of the Marshall County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Marshall County Sheriff for the year ended December 31, 2003, and have issued our report thereon dated November 23, 2004. This was a special report on the County Sheriff's financial statement prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Marshall County Sheriff's financial statement for the year ended December 31, 2003, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Marshall County Sheriff internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Berger & Company, CPA, PSC". The signature is written in a cursive, flowing style.

Berger & Company, CPA, PSC

Audit fieldwork completed -
November 23, 2004

